

# POVERTY AND INEQUALITY

No Western or Afro-Asian nation has yet succeeded in eliminating poverty and extremes of economic and political inequality. There are disparities between and within nations.

In the countries of Europe, North America and Australasia (Western) most of the population enjoy a high material standard of living. In the countries of Africa, Asia and Latin America (Afro-Asian) most of the population are poor and there is a low material standard of living. Yet, there is wealth in the Afro-Asian countries and poverty in the Western countries.

What is poverty? The experts disagree and they disagree because people's views of poverty are related to their own experience, assumptions and beliefs about themselves, others and society. At a minimum, however, the experts agree that the poor are people whose standard of living is significantly below that acceptable for and enjoyed by the majority of the community.

In order to live we must satisfy certain needs:

- Physical needs such as the need for food, clothing, health and shelter.
- Social needs such as respect, self-esteem and achievement.

When these needs are not met individuals and families are poor. Some people define the poor as only those whose physical needs are not satisfied - ragged clothes, dilapidated housing and malnutrition. This is absolute poverty and under this definition the poor are those people who are unable to achieve a minimum standard of living.

Other people argue that this is an incomplete definition of poverty and the poor are those whose physical and social needs are not satisfied. To be poor is not just to receive the lowest incomes and live at a minimum standard of living but to be politically, economically and socially powerless. This is relative poverty and sees the position of the poor as relative to the non-poor.

These different views can be characterised as the survival view and the living view. The survival view is that unless people have a minimum number of goods and services such as food, clothing

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and shelter then their lives in the short-term and the long term are if not actually shortened then endangered. But, life does not solely consist of physical needs. Equally important are social needs. Life is about living as well as surviving. We survive to live - to enjoy ourselves, to participate, to think and to be active members of the society in which we live. Of course, people can survive but they can also have much less than others. Eliminating absolute poverty would still leave us with relative poverty.

Defining poverty as a symptom of inequality necessitates examining what differences in income, wealth and resources mean to the standard of living of people.

The Australian Bureau of Statistics has conducted a household expenditure survey which pinpoints the consequences of income differences:

mines the expenditure.

- the lower income groups spend proportionately more of their income on necessities such as food, housing and fuel, than the higher income groups.
- the lower income groups spend proportionately less of their income on luxuries such as alcohol and tobacco than the higher income groups.

Additional information provided by the Australian Bureau of Statistics reveals that the expenditure of low income groups exceeds their income whereas the expenditure of high income groups does not exceed their income.

Overseas surveys have also shown that the poor spend proportionately less money on tobacco and alcohol than the average expenditure of non-poor families and that they spend proportionately less on recreation than the non-poor. Of course, this fact would not satisfy those who are inclined to argue that the problem of poverty is a problem of poor people and would suggest, as a consequence, that the poor

EXPENDITURE AS A PERCENTAGE  
OF TOTAL EXPENDITURE, BY WEEKLY HOUSEHOLD INCOME, 1974-75  
(per cent)

	Average weekly household income			
	Under \$80	\$80 and under \$140	\$200 and under \$260	\$340 or more
Current housing costs	16.0	16.2	15.4	11.7
Fuel and power	4.0	2.7	2.1	1.7
Food	26.0	22.4	20.5	18.2
Alcohol and tobacco	5.1	5.9	6.0	6.9
Clothing and footwear	8.0	7.9	8.6	10.4
Household equipment and operation	10.0	9.0	8.8	9.7
Medical care and health expenses	3.6	4.2	3.8	3.2
Transport and communication	12.5	15.9	17.7	16.8
Recreation and education	5.8	7.5	8.2	11.3
Miscellaneous goods and services	9.0	8.3	9.0	10.9

From this table, it is possible to make these conclusions:

- the less the income the less people have to spend. A trivial but vital observation is that arguments about expenditure patterns of people tend to ignore that the total income deter-

should spend no money on tobacco, alcohol and recreation.

There is an argument that the poor should forego the gratifications of the moment in favour of future goals. If the poor did forego the gratifications of the moment in favour of future goals, then,

realised, because their failure to achieve goals is not personal but system induced.

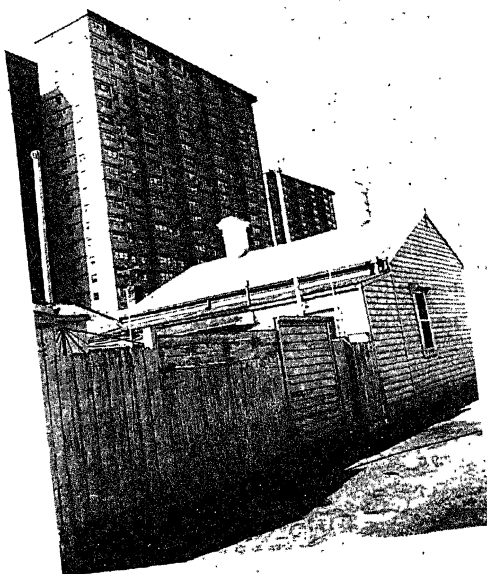
## Health

The health of the poor is worse than that of the rest of the community. The poor are more prone to certain illnesses such as diseases of the circulatory and respiratory systems, as well as alcoholism and depression. There are two to three times more chances that the children of the poor will die before the age of one year than the children of parents in more affluent and less densely settled suburbs. The poor have a shorter life expectancy than the rest of the population. The birthweight of the children of the poor is lighter than the average and they are therefore more susceptible to illness and death. Poor nutrition during pregnancy can hinder fetal brain development and increase the probability of premature birth. Protein deficiencies in early childhood can retard brain growth. This early damage - perhaps followed by frequent illness, further malnutrition, crowded and unsanitary living conditions - is exacerbated by lack of regular medical attention and may affect the adult's ability to obtain adequate employment. Health limitations are particularly likely to result in unemployment or underemployment among those whose skill levels are low, because jobs open to the poor are usually physically demanding.

## Income

The most obvious difference between the poor and the non-poor is income. Working is, of course, the primary source of income for most people. In a money economy and a market economy income determines the extent to which we can participate in politics, the education we can afford for our children, the houses we can buy or rent, the food we can eat and the entertainment we can enjoy. The poor pay more and they cannot obtain economic benefit from buying longer-lasting, more expensive goods, or the cost savings from paying cash. Many of the poor do not work (i.e. because they are sick, elderly and unemployed) and those who do are poor despite the fact that they work.

## Housing



Income for instance, determines the quality and type of housing. Most of the poor are forced to rent housing. A greater percentage of their income is spent on housing costs than higher income groups. Crowded and sub-standard housing aggravates the health of the poor. These health problems make it difficult for the poor to find and retain jobs. Because of inadequate, overcrowded and costly housing the

better accommodation and cheaper rents. This mobility has adverse consequences for the children of poor parents.

## Education

Moving from school to school, the children find it difficult to settle down at school, cope with varying curricula and establish friendships, and, as a consequence, their school work suffers.

Even so, schools reinforce a negative value of self for the children of the poor not only because of the children's forced mobility, but because of the middle class achievement-based and academically orien-



ted schools. As a consequence, children from poor families leave school earlier than their middle class counterparts. This accentuates their inability to compete on equal terms in society and thereby confirms their felt and known powerlessness. The poor leave school early without attempting to obtain qualifications or they stay to fail in their attempt to obtain qualifications.

## Jobs

Lacking basic qualifications, the poor are forced to move into unskilled and semi-skilled jobs. These jobs are typically low paying and low status. They are usually physically demanding and this aggravates the health condition of the poor. Physically demanding work means that the poor are more likely to be victims of industrial accidents. Unskilled and semi-skilled workers tend to remain unskilled and semi-skilled workers. Training programmes tend to assume the existence of basic qualifications which the poor do not possess. In recessions the greatest proportion of workers laid off are the unskilled and semi-skilled. The poor have a greater fear and a greater reason to fear unemployment than other workers. The working poor are concentrated in heavy and light manufacturing. The poor are in a vocational trap - they are struggling on the money that comes in but they are battling to get a job that is any better. The working poor are least satisfied about their working conditions and have the least reason for being satisfied. The poor have much less freedom, variety, opportunity to learn and get ahead in their jobs than other workers. The working poor perceive a lack of opportunities in life and their opportunities for getting ahead in jobs are, in fact, limited. Over the working life of the unskilled poor, their income barely increases, and may decrease - for the non-poor it usually increases over the years.

## Services

Services that most of us assume and take for granted are inaccessible to the poor. Doctors, dentists and lawyers tend to live and work in high income areas. Many of those providing services have cultivated client groups who promise the maximum pay off for the time and energy invested in their welfare. Those segments of the population who could most benefit from social services are among the last to take advantage of them. An examination of the geographical distribution of doctors, dentists and solicitors has revealed variations between and within States. The concentration of doctors, dentists and solicitors in the metropolitan areas of the capital cities is between 1½ and 2½ times greater than in other regions of the six states. Moving out from the major population centres some regions have consistently low numbers of doctors, dentists and solicitors in relation to their population size. In Victoria, for example, Camberwell has 113 doctors, 60 dentists, and 36 solicitors in a population of 98,302, whereas Broadmeadows has 19 doctors, 11 dentists and 5 solicitors in a population of 101,100. Community and government perceptions of the poor tend to dwell on superficial behaviour characteristics and the poor are blamed for their poverty. Blaming the victim further erodes the dignity of the poor. In common, the community and Government refuse or cannot accept that the poor are politically, economically and socially powerless.

## How many are poor

The number of people in poverty depends on:

- a. the definition of poverty,
- b. family composition,
- c. labour force participation.

### a. Definition

The definition of poverty determines the number of poor. The definition pre-determines who are going to be poor and how many are going to be poor. The easiest and most usable way of determining the number of poor is by establishing a poverty line - those below the poverty line are poor and those above the poverty line are not poor. Poverty lines are determined by establishing minimum survival needs such as the need for food, clothing and shelter and calculating their minimum cost. The poverty line, then, is based on an income definition of poverty.

The Commission of Inquiry into Poverty concluded that in 1973 there were approximately two million poor. What the poverty inquiry did, however, was to divide the poor into the very poor and the rather poor. The poverty inquiry's poverty line is for the very poor and not the rather poor. Increasing the income of the very poor up to the poverty line would leave them better off but still poor - rather poor instead of very poor.

### b. Family

Family size is an important factor in determining the poverty of a family. Quite obviously, the larger the family the more it costs for that family to survive. This fact was recognised by the poverty inquiry which adjusted its poverty line according to family size. Thus the poverty line in June 1976 was \$53.80 for a single person, \$101.00 for a couple and two children and \$157.60 for a couple and six children.

Quite obviously, family size and costs change over time. Dependent children cost money to support. A working wife can supplement the family income. A retrenched wife unable to find work can affect the position of a family which is geared to two incomes. Financial commitments are made on the basis of expected income and a substantial drop in that income affects the ability to meet those commitments.

Parents no longer have to support their children who join the labour force and earn their own income. School leavers who cannot find work remain dependent on their

families. Workers may cope throughout their lifetimes but never earn enough to save and invest. When they are old and unable to work they find themselves poor and dependent on the pension.

The poverty inquiry argued that the single most critical factor in determining whether or not people were poor was whether or not they were in the labour force - employed or unemployed looking for work.

According to the poverty inquiry 90% of the poor are not in the labour force and 10% are in the labour force. Your chances of being poor are greater if you are not in the labour force than if you are in the labour force.

This depends on the level of the poverty line. If an austere poverty line is used then the poor tend to be automatically defined as non-working. Raising the poverty line above an austere level, however, proportionately increases the number of working poor. Apart from this however, unemployment is a critical determinant of the number of poor. When there is an economic recession and unemployment is high the number of poor increases, because unemployment is disproportionately high for the unskilled and semi-skilled.

There are two main qualifications of the poverty inquiry's estimate of the number of poor: Firstly, the definition of poverty is an austere definition. Others using a different definition of poverty would provide a different estimate of the number of poor. Secondly, the survey used by the inquiry to estimate the number of poor was undertaken in a particular week during 1973. Surveys undertaken in different years could yield higher or lower estimates of the number of poor. In 1976, for instance, there are more poor than in 1973 because of high unemployment. As a minimum, however, we can accept the poverty inquiry's estimate of at least two million poor.

## Who are the poor?

The poor can be classified into two broad groups:

- The non-working poor - not considered members of the labour force.
- The working poor - considered members of the labour force.

As noted earlier, however, the lower the poverty line, the less the number of working poor and the higher the poverty line the more the number of working poor.

What the following table shows, is the percentage of people in selected population groups considered poor. As explained, earlier, the poverty inquiry distinguishes between the very poor and the rather poor. The very poor are those whose income is between 0 and 100% of the poverty line and the rather poor are those whose income is between 100 and 120% of the poverty line. The poverty inquiry regards the very poor and the rather poor as poor so they have grouped them together:

Aged males (single)	50%
Aged females (single)	51%
Aged couples	35%
Large intact families	23%
Fatherless families	49%
Motherless families	18%
Single females	19%
Sick or invalid	35%
Unemployed	25%
Recent migrants	5%

This demonstrates that more women are poor than men. This is further evidenced if we look at male versus female poverty for the non-aged:

Non-aged	
head not in work force	
Males	34%
Females	58%
head in work force	
Males	6%
Females	15%

Another way of determining who are the poor is to take those persons who are dependent on a pension or benefit.

	June 76	Benefit/Pension November 76
Single Person under 18	\$53.80	\$36.00
Single Person 18 & over	\$53.80	\$43.50
Married Couple	\$72.00	\$72.50
Couple and 2 children	\$101.00	\$87.50
Couple and 4 children	\$129.90	\$102.50
Couple and 6 children	\$157.60	\$117.50

The significance of this is that most people solely dependent on pensions and benefits are living below the poverty line. For many who do not experience poverty in youth and middle age, poverty comes with old age. Increased spending by the lower income people would create demand and stimulate employment and therefore income for everyone. Keeping pensions and benefits below the poverty line is therefore self-defeating.

## Where are the poor?

Again, the source of our statistics is the poverty inquiry. What follows is the inquiry's estimates of the percentage of poverty in different States:

NSW	21%
Victoria	18%
Queensland	25%
S.A.	21%
W.A.	21%
Tasmania	26%

There are, then, significant differences between States - Tasmania has the highest percentage of poor and Victoria has the lowest percentage of poor.

As well as differences between States there are significant differences within States

Melbourne	13%
Rural (non-farmer)	25%

The incidence of poverty in rural areas is nearly 100% higher than in metropolitan areas. With high unemployment the number of rural poor increases on a two to one basis with the increase in the number of poor in metropolitan areas. At the end of May, 1976, in Victoria, for instance, the unemployment rate for metropolitan areas was 4% and for rural areas it was 7%.

## Issues

There are several quite distinct policy choices and competing views that underlie and are the basis of differences of opinion about what should and what should not be done about poverty:

- Alleviation or elimination.
- Powerful and powerless.
- Income versus services.
- Deserving versus undeserving.
- Welfare versus workfare.
- Comparative poverty.
- Historical poverty.



The preface to the report of the Commission of Inquiry into Poverty argued for the elimination of poverty. Yet, the text of the report presented evidence and arguments for the alleviation of poverty:

Eliminating poverty - is concerned with creating a society in which poverty does not exist and, therefore, favors preventative policies and situations that would prevent the emergence of poverty.

Alleviating poverty - is concerned with the need to treat poverty and the victims of poverty and, therefore, tends to accept the inevitability of poverty.

An example of alleviating poverty would be an emergency relief programme. While this could be criticised as piecemeal, emergency relief does help the poor in a practical and effective way in an emergency situation. The argument for the elimination of poverty raises the problem of relativity. If poverty is relative and the poor are the bottom group how do you avoid having a bottom group?

### Powerful and Powerless

Anti-poverty programmes aim to help the poor, yet the poor have the least influence over the nature and direction of these programmes.

The poor are not a homogeneous group, they are not well-organised and they have no common front. Yet, there are groups who are relatively homogenous and organised, such as trade unions and employer groups.

At present, the poor are dependent on advocates such as voluntary welfare agencies. In recent years, however, efforts have been made by agencies such as the Brotherhood of St. Laurence and the Centre for Urban Research and Action to provide the poor with sufficient resources so that they can become their own advocates.

### Income versus Services

Money is a basic prerequisite to the elimination of poverty. The poor have insufficient income and programmes for rehabilitating and changing the poor are irrelevant unless the poor have enough money.

From this, some argue that the solution to poverty is to give the poor money rather than provide welfare and health services. The argument proceeds that if the poor have enough money then they could purchase their own welfare and health services. This depends on whether they have the personal skill and capacity to work the system. The catch is, of course what is regarded as enough money and the required standard of welfare service. In theory, if the poor were given enough money they would be able to purchase their own welfare services.

In fact, pensions and benefits are at a subsistence level and the poor have enough problems stretching the money to cover their food, clothing and shelter costs.

### Deserving versus undeserving

Are the poor different in their worthiness? The assumption is that there are deserving poor and undeserving poor and anti-poverty programmes attempt to separate the deserving poor from the undeserving poor. This is why there are pensions and benefits. Pensions (aged and invalid) are regarded as permanent payments. Benefits (unemployment, sickness and supporting mothers) are regarded as temporary payments.

This is why, for example, aged pensioners (deserving) are not work tested and are allowed to earn more from casual and part-time work than unemployment beneficiaries (undeserving) who are work tested and only allowed to earn \$6 per week in extra income. This is also why it is more difficult for single people (undeserving) to obtain emergency assistance from voluntary welfare agencies and State Government Social Welfare Departments than families (deserving).

### Welfare versus Workfare

A critical issue about welfare policies is the effect they have on the beneficiary. Anti-poverty programmes are seen as temporary and aimed at helping the poor to lift themselves out of poverty. What is feared is that too much help or the wrong

kind of help will create dependency.

Dependency exists when the recipient of a programme becomes dependent on that programme.

This explains why unemployment benefit is at a subsistence level. On the one hand, it is accepted that the poor are needy and we have an obligation to support them. On the other hand, it is argued that the poor should not be encouraged to remain poor.

It is often argued, for instance, that high unemployment benefits encourage the unemployed to remain unemployed. What actually happens is that because permissible earnings of the unemployed are so low this discourages them from looking for work. Permissible earnings is the amount of money you are entitled to earn before it is deducted from your benefit. For the unemployed it is \$6. As few jobs would pay as little as \$6 there is no incentive to seek casual work or part-time work because it is all deducted from the benefit dollar for dollar.

#### Comparative Poverty

The nature and extent of poverty in Australia needs to be viewed in the context of world poverty. The poverty of Africa, Latin America, and Asia is far more serious and extensive than poverty in Australia. This fact needs to be recognised and acknowledged. Otherwise, we will be in danger of developing a parochialism that argues for the elimination of poverty in Australia, but ignores the far more serious poverty in other parts of the world.

Acknowledging that poverty is far more serious elsewhere than in Australia may be honest, yet it can also be an unfortunate concession. It is an unfortunate concession for many people will use it to argue that because poverty is not so serious or extensive in Australia we should not be unduly concerned and the fact that it is less serious demonstrates that we are succeeding in eliminating poverty. While the nature and extent of poverty throughout the world differs, the causes are similar - inequality of income, wealth and resources. Poverty is inexcusable in affluent countries such as Australia, the U.S.A. and the U.K. We have the resources and the abundance to eliminate poverty yet we have not done so.

#### Historical Poverty

Perhaps our indifference to poverty is due to the persistence of an historically conditioned image of poverty. In the nineteenth century most of the working class were poor. In 1883 twelve year old girls and boys worked a 48 hour week for five shillings. In the 1890's many Adelaide families were living in hovels. Only one factory-owner in a hundred attempted to provide proper ventilators and in winter all holes were stopped up. Some factories did not have urinals or privies and workers were forced to use the streets. Most employers claimed that guards, fences and safety pits to cover dangerous machinery would hamper the employees in their work.

These conditions were physically obvious and visible and we have been conditioned to believe that they are the defining characteristics of poverty. Because these conditions are practically non-existent today we are misled into assuming their absence proves the absence of poverty.

## Why are they poor?

This is a critical question. Our explanation for poverty and the poor will predetermine what is done about poverty and the poor. There is a cluster of views that blame the poor for their own poverty. First, it is argued that the poor are personally inferior. Due to inherent physical and mental characteristics the poverty of the poor is regarded as the inevitable outcome of their personal characteristics. Second, it is argued that life is a struggle in which some succeed and others fail. Life is not meant to be easy and the poor, the unemployed and the handicapped are necessary reminders of the failure to cope and conform. Furthermore, it is argued that poor

people are necessary because to eliminate poverty would be to reduce the incentives for those who are not poor. Third, it is argued that the poor are weak individuals because of a bad environment. The solution is to create a good environment which will create strong individuals.

In opposition to blaming the individual is the cluster of views that blame society. It is argued that basic to our understanding of poverty is understanding the necessity and permanence of poverty. This may seem to be an extraordinary statement but it merely states the obvious. The argument proceeds that in an hierarchical economic system of differing and unequal distribution of goods and services, reward and punishment are the predominant incentives for the maintenance of the system. Poverty is a symptom of inequality. For as long as society permits extremes in the distribution of income, wealth and resources then there will be poverty and there will be the poor.

From these conflicting assessments of why there is poverty - blaming the individual or blaming society - emerge three subsidiary major clusters of views:

- a. Radical
- b. Liberal
- c. Conservative.

#### Conservative

The conservative view of poverty is that poverty and the poor are inevitable. The conservative view is that poverty is distressing and should either be alleviated or ignored because it is natural and normal.

#### Radical

The radical view of poverty is also that poverty and the poor are inevitable in a Capitalist System. The radical view is that poverty can not be eliminated through a reorganisation and redistribution of resources. In a capitalist society poverty is natural and inherent and can only be eliminated through the elimination of the capitalist system by changing the ownership of the means of production and distribution.

#### Liberal

The liberal view is that poverty can be eliminated through a reorganisation of society. The Welfare State is seen as a logical and humane development.

## What needs to be done?

What you believe needs to be done depends on your beliefs about poverty and the poor which, in turn, reflect your views about people and society. If the liberal view is adopted, there are six general policy options which can be seen as complementary or independent:

1. Cash transfers.
2. In-kind transfers.
3. Direct services.
4. Human capital programmes.
5. Community development programmes.
6. Structural changes.

#### Cash Transfers

This usually refers to direct grants to people below a certain income level. Examples of this include aged pensions, unemployment benefits and family allowances. This should include the proposal for a guaranteed minimum income which would replace categorised pensions or benefits, and be paid to all of the poor. The purpose of cash transfers is to provide income when the poor's usual resources are exhausted.

#### In-Kind Transfers

This refers to in-kind assistance to the poor. Examples of in-kind assistance include emergency relief and welfare housing.

#### Direct Services

This usually refers to attempts to increase the poor's consumption of goods and services. Examples of direct services are the Australian Legal Aid Office and community health centres.

#### Human Capital Programmes

This refers to education and job training that is aimed at improving the

abilities of individuals in society and, in particular, in the labour market. Examples of this are NEAT and the Schools Commission programme.

#### Community Development

Programmes designed to enhance community participation and political efficacy of the less powerful. Examples of this are the Australian Assistance Plan and the Welfare Rights Programme.

#### Structural Change

This refers to programmes designed to transform the capitalist system. Examples of this would be nationalisation of big business, rigid price and income control and State planning.

## How do these affect you?

Whatever the anti-poverty programme and whatever the objective (alleviation or elimination) there is a cost for the non-poor and that cost lies in the transfer of income, wealth and resources from the non-poor to the poor. The poverty inquiry has recommended the spending of an additional \$200 million each year to increase the incomes of poor people and provide additional welfare services.

## What can I do?

1. Give. Examine your own standard of living. What do you spend your money on? Are you doing as much as you can to eliminate poverty? Giving donations to voluntary welfare and overseas aid agencies is one way of helping the poor. Different agencies have different programmes and different approaches.
2. Study. There is no substitute for being well-informed yourself. You do not need to be an expert to understand poverty. Everyone should understand how poverty affects their everyday lives.
3. Act. Form an anti-poverty group in your school, workplace or community. Study together and look for opportunities to tell others about your views and concerns. Make your views known to your local member of parliament and the local council. Find out what their attitudes are. Consider what is being done to help the poor in your own community.

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#### TECHNICAL POINT

Percentage estimates of the number of poor are taken from the First Main Report of the Poverty Inquiry. They have been simplified drastically. In actual fact they refer to income units rather than people in poverty. The difference between income units and people in poverty is too complex to be explained here. For our purposes the percentage of income units in poverty is regarded as representing the percentage of people in poverty. See the poverty inquiry report for a detailed explanation of the difference.